

**SKAGIT COUNCIL OF GOVERNMENTS**  
**Skagit County, Washington**  
**January 1, 1992 Through December 31, 1993**

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**Schedule Of Findings**

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1. The Council Should Improve Their Accounting Records And Prepare And Submit Annual Financial Reports

The Skagit Council of Governments did not prepare and submit required annual financial reports for the years ended December 31, 1993 and 1992. In addition, the council did not maintain adequate accounting records detailing and supporting all of their financial transactions.

RCW 43.09.200 states in part:

The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public for any purpose whatever, and by all public officers, employees, or other persons.

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction . . . .

RCW 43.09.230 states in part:

The state auditor shall require from every taxing district and other political subdivisions financial reports covering the full period of each fiscal year, in accordance with the forms and methods prescribed by him, which shall be uniform for all accounts of the same class.

Despite prior audit recommendations that the council improve their accounting records and ensure required statements are prepared, we noted no improvements had been made.

When accounting records are not adequate and financial statements are not prepared, the audit process is hindered, resulting in additional audit time and related audit expenses. In addition, interested parties are denied the financial information needed to make informed decisions and to ensure the accountability of council activities.

We recommend that the council take action to ensure that accounting records are adequate to support their financial transactions and prepare and submit required financial reports.

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**Schedule Of Federal Findings**

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1. The Council Should Administer The Revolving Loan Fund In Accordance With The Approved Revolving Loan Fund Plan

The Skagit Council of Governments did not administer their Revolving Loan Fund (RLF) in accordance with their approved Revolving Loan Fund Plan during the 1992 and 1993 audit periods. The council operates the RLF as a result of the receipt of an Economic Adjustment Assistance grant (CFDA 11.300) from the Economic Development Administration. The RLF is designed to make loans to local businesses to bring about industrial retention and expansion and to leverage private investment and save jobs through leveraging private investment. Accordingly, as part of the grant agreement, the council agreed to administer the RLF in accordance with the Revolving Loan Fund Plan. However, we noted the following instances in which the council failed to comply with the terms of the plan:

- a. The council was missing an "Application for Financial Assistance Business Loan" for one RLF borrower.
- b. The council did not have financial statements, for four out of eight of the current loans, during either 1992 or 1993.
- c. The council failed to require RLF borrowers to submit semi-annual reports of "Employment Schedule and Assurance of Job Opportunities."
- d. The council did not prepare a "Monthly Loan Servicing Report" or maintain a "Revolving Loan Fund Cash Flow Projection" for either 1992 or 1993.

The general terms and conditions of the Revolving Loan Fund Grant Agreement states in part:

The Grantee agrees to operate this revolving loan fund program in accordance with the Revolving Loan Fund Plan submitted as part of its application. Changes in the Plan must receive prior approval from the Government.

The Grantee shall use prudent judgment and sound management procedures in the approval, disbursement, monitoring and prompt collection of RLF loans to protect the assets of the RLF.

The Revolving Loan Fund Plan, submitted as part of its application, states in part:

SCOG will use prudent lending standards in evaluating the strength and ability-to-repay of both companies and individuals . . . Applicant

submits formal application and all supporting documents . . . Forms include: the RLF Application Checklist, Application for Financial Assistance-Business Loans.

Ongoing review by SCOG of actual vs. projected performance by Borrower, based on payment record and on income-and-expense statements and balance sheets submitted by Borrower.

Semi-Annual Reports of Employment Schedule and Assurance of Job Opportunities will be completed by all Revolving Loan Fund borrowers.

SCOG staff will prepare a Monthly Loan Servicing Report showing the status of all required submissions, follow-up, etc., for all RLF clients.

Each month, SCOG will update an RLF cash flow projection, forecasting principal and interest payments for outstanding loans for the next 12 months.

Staff turnover and apparent unfamiliarity with the requirements appeared to be the cause of the council's failure to administer the Revolving Loan Fund in accordance with the Revolving Loan Fund Plan.

Failure by the council to operate the RLF in accordance to the Revolving Loan Fund Plan could jeopardize the continuation of the grant program, the assets of the RLF, and the benefit of the program to the community.

We recommend that the council work with the Economic Development Administration to administer the Revolving Loan Fund in accordance with the approved Revolving Loan Fund Plan.